Revision of rate of interest by I.D.B.L.

1057. SHRI SYED SIBTEY RAZI: Will the Minister of FINANCE be pleased to state:

(a) whether IDBI has revised interest rates;

(b) if so, what are the details thereof;

(c) whether this revision in interest rates is intended to crush down the progress of small scale industrial units of the country;

(d) whether small scale industrial units are already facing financial crisis due to escalation in interest rates in every field;

(e) whether large number of SSI units have become sick due to financial indebtedness;

(f) whether Government proposes to revoke this hike in interest rates; and

(g) if so, what are the details thereof and if not, what are the reasons therefor?

THE DEPUTY MINISTER IN THE MINISTRY OF FINANCE (SHRI ANIL SHASTRI): (a) and (b) The Industrial Development Bank of India (IDBI), in consultation with the RBI, has revised its interest rates effective from 1-8-1990. The lending rates structure for project financing will be in two tiers; one for the fist two years or construction period, whichever is shorter and the second applicable over the remaining life of the loan. The first tier interest rate structure is as before; in the second tier, all interest rates have gone up by 1 per cent.

(c) and (d) While revising the interest rates, two-tier approach has been adopted so that there is no upward revision during the construction period, and the marginal 1 per cent increase in the rate of interest becomes effective when the units are expected to be in production. Further, the existing differential in the interest rates vis-a-vis normal rates has been maintained in the schemes of refinance to provide continued benefit of concessional rates to SSI Sector.

(e) The sickness in small scale sector is attributed to several factors including management deficiencies, erosion of working funds owing to cash losses, non-availability of raw-material, power, adequate working capital etc. and may often get manifested in the form of financial indebtedness.

(f) and (g) There is no proposal to revoke the hike in interest rates as these have been revised by IDBI due to steady increase in their cost of funds.

Incentives for setting up 2-3 star Hotels

1058. SHRI RAJNI RANJAN SAHU: Will the Minister of TOURISM be pleased to state:

(a) whether Government propose to give incentive for the setting up of two star and three star hotels in the country; and

(b) if so, what are the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS AND MINISTER OF STATE IN THE MINISTRY OF TOURISM (SHRI SATYA PAL MALIK): (a) No, Sir. The Central Government presently do not propose to add any fresh incentives.

(b) Does not arise.

Investment by NRIs in Indian Industries

1059. SHRI KRISHNA KUMAR BIRLA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have